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Part I - STRICTLY CONFIDENTIAL

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AND-9-41

Jan. 10, 1941

AGRICULTURE AND NATIONAL DEFENSE

LATIN AMERICAN RUBBER PROSPECTS APPEAR TO BE GOOD: Preliminary reports received by the USDA from the four field parties now surveying rubber production possibilities in South and Central America indicate a rubber supply sufficient to satisfy a large part of this country's needs can be developed. One of the field parties has completed its survey and sailed for the United States from Buenaventura, Colombia, on January 5. A second party is expected to wind up its inquiry in eastern Colombia within two or three weeks and be back in Washington by February. A third group, now in the upper Amazon, proceeds shortly into Matto Grosso for a final inspection tour of six weeks. Members of the fourth group, now in Nicaragua, will return overland through Mexico where prospective rubber zones will be surveyed before heading for home late in February or early March.

THE FOUR PARTIES HAVE CARRIED OUT THE SURVEYS with impressive speed and effectiveness. All have kept up with the time table set for them originally. All are expected to be back in Washington, ready to tabulate results, by late March. The speediness of the surveys is due in no small part to the hearty cooperation from most of the South and Central American officials. The parties already have started rubber plantings in experimental nurseries in Costa Rica, Guatemala, and Honduras.

SUMMARY OF CABLES ON FOREIGN DEVELOPMENTS: BRAZIL: The Bank of Brazil has been advised that the British Government intends to purchase cotton to the value of one million pounds (\$4,025,000) and that a deposit of 500,000 pounds was being made in the clearing account for that purpose. A Japanese group likewise is contemplating an increase in its purchases of Brazilian cotton.

FRENCH INDOCHINA: Japan has demanded about 700,000 tons, or about half the exportable 1941 surplus of rice in French Indochina. Little rice was exported to Japan previous to 1940 when 450,000 tons was bought from Indochina with American dollars. For 1941, however, Japan has proposed a barter agreement. The situation is complicated by the fact that Japan's supply of exportable goods suitable for Indochinese market is inadequate. Indochinese say further trade on this basis would materially increase the already large adverse Japanese trade balance which would result in the accumulation of credits in Japan which would be unusable by Indochina, a situation similar to the position attained by Germany in the Balkans through its operation of clearing agreements with those countries.

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Part II - FOR ADMINISTRATIVE USE ONLY

Jan. 10, 1941

AGRICULTURE AND NATIONAL DEFENSE

USDA TO ASSIST BRAZIL WITH RUBBER STATION: Loren G. Polhamus, Plant Industry's rubber specialist, left Miami, Fla., by plane Friday Jan. 10, for Brazil where he will assist in starting a cooperative rubber planting station at Belem, Brazil. The USDA is to sponsor the station in cooperation with the Brazilian government. The Department also has decided to detail four members of exploring parties now in Central and South America to the large central cooperative at Turrialba, Costa Rica, where 100,000 seedling rubber trees already have been planted.

THREE-COUNTY SURVEY REVEALS IDLE MACHINE TOOLS AND MECHANICS: A resources survey conducted by the Shenandoah Valley Defense Council in three Virginia counties revealed 267 machine tools idle at least nine-tenths of the time. All of these tools are available for production of machines which do not require the highest degree of precision, on a "bits and pieces" production basis, says the Council's report to the NDAC. The survey, made at the suggestion of the local REA cooperative, covered Augusta, Rockingham and Shenandoah counties. The area is largely agricultural, covers 1,200 square miles, and has a population of 90,000.

MANY FARMERS IN THE DISTRICT, it was found, have experience as mechanics in nearby industrial centers. Many were both willing and equipped to handle mechanical jobs in their spare time. The survey covered all available power, fuel, water, transportation, housing, medical facilities, skilled labor, and manufacturing facilities available in the three counties.

SUMMARY OF FOREIGN DEVELOPMENTS: ITALY: The Ministry of Agriculture and Forestry was authorized to assume full responsibility for regulating the distribution and rationing of domestic and imported foodstuffs, both to the armed forces and to the civilian population. The authorization includes also the power to requisition supplies, fix prices, and supervise production. These responsibilities formerly were shared by several Ministries. Local observers consider that this measure constitutes a silent recognition that the food situation in Italy is more serious than indicated by official announcements. Reports indicate that meat and fish have been unobtainable for a considerable time in some regions, especially in Sicily. Even bread was entirely lacking in Sicily for a considerable period. In Rome people wait in lines to buy olive oil, alimentary paste, rice, etc. Frequently even the presentation of a ration card is ineffective because no more stores are in stock. Small storekeepers state that there is a lack of stocks because of exportation to Germany. Hoarding by the wealthier classes, and a partial breakdown in the transportation to the chief consuming regions, are believed to be the two important factors contributing to the shortage of supplies.

Effective December 31, 1940, complete regulatory control over the distribution and consumption of industrial products, both imported and domestically produced, was delegated to the Ministry of Corporations. The decree empowers the Ministry "to take census of supplies; to purchase or regulate the distribution of primary materials to industrial plants; to discipline the distribution of the finished industrial products according to the needs of the armed forces and the civilian population; to control the activities of industrial and commercial enterprises; and to ration civilian consumption of industrial products."

FRANCE: Increasing attention is being devoted by the Government of unoccupied France to the question of food supplies for the winter. Despite previous statements of French officials that there was no reason to fear that any serious bread deficit would occur this winter recent advices indicate that there will be a period of six or seven weeks during which there will be no wheat in France even allowing for the transfer to which Germany has agreed, of 1,000,000 quintals (3,674,000 bushels) from the occupied zone, and for a reduction in the bread ration from 350 to 300 grams daily, effective January 1.

The French are negotiating with the Argentine Government for important quantities of wheat and meat. Indications are that the French Government is being encouraged by the Germans in the negotiations.

It is still the general belief that such hardship ^{as} may be experienced this winter with respect to foodstuffs as a whole will be due more to defective distribution than to actual shortages. An important exception to this, however, is milk of which there is a serious and unquestionable shortage in both the occupied and the free zones. A number of factors adversely affect distribution, such as lack of freight cars, lack of fuel for motor transportation, price control, and lack of coal for railroad transportation.

With respect to price control, there is apparently a growing tendency on the part of the farmers and peasants, in view of maximum price restrictions, to hold their stocks rather than to ship them to the cities at regulated prices. The result will probably be that there will be hunger in large industrial centers, both through lack of supplies and lack of ability to pay by the unemployed, whose cash reserves are naturally becoming exhausted, while in the country districts and small towns there will be plenty.

SWEDEN: Butter and other edible fats for household use were rationed, effective December 29. The weekly fat ration is fixed at 250 grams per person. The use of edible fats for industrial purposes has been placed under Government control. Because of the shortage of coal, hot water can now be used for household purposes and by hotels and boarding houses only two days a week.

RUSSIA: Effective December 10 the customs tariffs of Lithuania, Latvia and Estonia were replaced by the customs tariffs of the Soviet Union.

